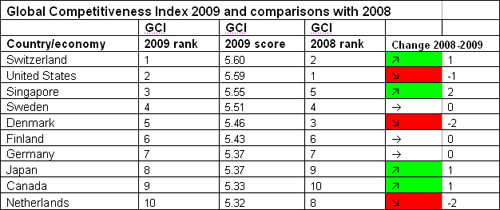
[Step aside America, Switzerland is the new global leader in competitiveness](http://welkerswikinomics.com/blog/2009/09/14/step-aside-america-switzerland-is-the-new-global-leader-in-competitiveness-2/)

The World Economic Forum, a group of researchers, leaders, educators, entrepreneurs and others with a vested interest in global economic performance, assembles an annual list of the world’s nations ranked according to “competitiveness”. This year, for the first time ever, the United States does not top this list; instead, Switzerland has been promoted to the status of global competitiveness leader.

What does this ranking really mean?

*Competitive economies are those that have in place factors driving the productivity enhancements on which their present and future prosperity is built. A competitiveness-supporting economic environment can help national economies to weather business cycle downturns and ensure that the mechanisms enabling solid economic performance going into the future are in place.”*

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Competitiveness means a nation possesses an environment that leads to improvements in the productivity of its resources, most importantly labor. America, with record budget deficits, in the trillions of dollars, faces a future of tight budgets financed by government borrowing, which eventually means higher taxes and less ability for government to spend on public goods like education and health.

America’s demotion in the rankings is attributable to falling expectations about the country’s *future growth potential* rather than concerns about its current economic slowdown. Switzerland has also been in a recession for the last year, although due to targeted fiscal policies unemployment has remained low, near its level before the recession began (around 4%).

The index used to rank countries is based on several factors:

*The GCI is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. The pillars include Institutions, Infrastructure, Macroeconomic Stability, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labour Market Efficiency, Financial Market Sophistication, Technological Readiness, Market Size, Business Sophistication, and Innovation.*

**Discussion Questions:**

1. How can a nation’s labor productivity be improved by making policies aimed at improving three of the factors measured by the GCI identified above?
2. How does America’s gigantic budget deficit ($1.8 trillion) threaten its future ability to provide its citizens with the “pillars” identified above?
3. Does economic integration with the global economy improve or limit a country’s ability to achieve economic competitiveness? Explain your answer.
4. State the law of diminishing returns and explain how it affects a firm's short-run costs of production?
5. Explain the relationship in the short run between the marginal costs of a firm and its average total costs.